



May 17, 2019

Ms. Kristen Petersen, Assistant City Manager
City of Duarte
1600 Huntington Drive
Duarte, CA 91010

Dear Ms. Petersen:

Subject: 2019-20 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated March 27, 2019. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the Duarte Successor Agency (Agency) submitted an annual ROPS for the period July 1, 2019 through June 30, 2020 (ROPS 19-20) to Finance on January 30, 2019. The Agency requested a Meet and Confer on one or more of the determinations made by Finance. The Meet and Confer was held on April 10, 2019.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific determinations being disputed:

- On the ROPS 19-20 form, the Agency reported cash balances and activity for the period July 1, 2016 through June 30, 2017 (ROPS 16-17). According to our initial review, the Agency had approximately \$286,465 in Reserve Balances available to fund enforceable obligations on the ROPS 19-20. Based on additional information provided and further review of the cash balances form, Finance determined the Agency has approximately \$4,591 in available Reserve Balances. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting Redevelopment Property Tax Trust Fund (RPTTF) funding. Therefore, the funding source for the following item has been reclassified in the amount specified below:
 - Item No. 17 - Promissory Note (RD Ph III) in the amount of \$372,190 is partially reclassified from RPTTF to Reserve Balances. This item does not require payment from property tax revenues. Therefore, Finance is approving RPTTF in the amount of \$367,599 and the use of Reserve Balances in the amount of \$4,591, totaling \$372,190.

In addition, per Finance's letter dated March 27, 2019, we continue to make the following determinations not contested by the Agency during the Meet and Confer review:

- Item No. 1 – Tax Allocation Bond 2007 (Series A) in the amount of \$2,861,144 is partially allowed. The Agency requested \$1,317,500 from Reserve Balances and \$1,543,644 from Bond Proceeds. However, according to the debt service schedule provided by the Agency, the amount requested for the July through December (ROPS 19-20A) period should be \$2,856,000. Therefore, to accurately reflect the correct debt service payment, Finance made an adjustment in the amount of \$5,144 in Bond Proceeds to decrease the total requested amount of \$2,861,144 to \$2,856,000.

- Item No. 17 – Promissory Note (RD Ph III) in the amount of \$673,615 is partially allowed. HSC section 34191.4 (b) (3) (A) allows repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in the preceding fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year.

According to the Los Angeles County Auditor-Controller's (CAC) report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal year 2012-13 and 2018-19 are zero and \$1,407,939, respectively. Pursuant to the repayment formula, the maximum repayment amount authorized for the ROPS 19-20 period is \$703,970. However, the Agency is requesting loan repayments totaling \$1,005,395 for Item Nos. 15 through 17. Therefore, of the \$673,615 requested, \$301,425 (\$1,005,395 – \$703,970) is not eligible for RPTTF. The Agency may be eligible for additional funding on subsequent ROPS.

- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the Oversight Board (OB) has approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the OB to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the OB to apply adequate oversight when evaluating the administrative resources necessary to successfully wind-down the Agency.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF approved in the table on Page 4 includes the prior period adjustment resulting from the CAC's review of the prior period adjustment form submitted by the Agency.

The Agency's maximum approved RPTTF distribution for the reporting period is \$953,744 as summarized in the Approved RPTTF Distribution table on Page 4 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1 through December 31 period (ROPS A period), and one distribution for the January 1 through June 30 period (ROPS B period) based on Finance approved amounts. Since this determination is for the entire ROPS 19-20 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

This is our final determination regarding the obligations listed on the ROPS 19-20. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be denied until the matter is resolved. The ROPS 19-20 form submitted by the Agency and this determination letter will be posted on our website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

This determination is effective for the ROPS 19-20 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

The amount available from RPTTF is the same as the amount of property tax increment available prior to the enactment of redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in RPTTF.

Please direct inquiries to Nichelle Jackson, Supervisor, or Todd Vermillion, Lead Analyst, at (916) 322-2985.

Sincerely,

Cheryl G. McCormick

for JENNIFER WHITAKER
Program Budget Manager

cc: Mr. Jeff Melching, City Attorney, City of Duarte
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County

Attachment

Approved RPTTF Distribution			
For the period of July 1, 2019 through June 30, 2020			
	ROPS A Period	ROPS B Period	ROPS 19-20 Total
RPTTF Requested	\$ 1,012,240	\$ 0	\$ 1,012,240
Administrative RPTTF Requested	250,000	0	250,000
Total RPTTF Requested	1,262,240	0	1,262,240
RPTTF Requested	1,012,240	0	1,012,240
<u>Adjustment</u>			
Item No. 17 **	(306,016)	0	(306,016)
RPTTF Authorized	706,224	0	706,224
Administrative RPTTF Authorized	250,000	0	250,000
Total RPTTF Authorized for Obligations	956,224	0	956,224
Prior Period Adjustment	(2,480)	0	(2,480)
Total RPTTF Approved for Distribution	\$ 953,744	\$ 0	\$ 953,744

** Item No. 17 total adjustment of \$306,016 includes \$301,425 for exceeding the maximum allowed under HSC section 34191.4 (b) (3) (A) plus \$4,591 based on a review of the Agency's cash balances.